A study on the link between Corporate Environmental Sustainability Performance and Sustained Financial Performance for large Indian Companies

A THESIS SUBMITTED TO

THE UNIVERSITY OF TRANS-DISCIPLINARY HEALTH

SCIENCES AND TECHNOLOGY

FOR THE AWARD OF THE DEGREE OF

DOCTOR OF PHILOSOPHY

BY

ANJU AHUJA

UNDER THE GUIDANCE OF

DR. ATUL KUMAR GUPTA

SYNOPSIS

This thesis examines the evolving relationship between Corporate Environmental Sustainability Performance (CESP) and Sustained Financial Performance (SFP) among India's leading non-financial and non-service companies over the five-year period from 2019 to 2023. The study combines quantitative trend analysis, percentile ranking, sectorial comparisons, and qualitative insights to map the impact of environmental strategies on financial outcomes.

The analysis reveals an overall favourable (downward) trend in intensity-based environmental metrics—GHG emissions, energy consumption, and water usage—relative to revenue, highlighting improved environmental efficiency across sectors. Although the pandemic caused temporary reversals (2019–2021), performance rebounded strongly post-2021.

Companies in high environmental impact sectors that reported significant improvements in CESP metrics also outperformed financially, measured by accounting (ROE, ROA) and market-based indicators (Price-to-Book ratio and Tobin's Q). Sectors with greater environmental exposure saw a more robust positive correlation between environmental efficiency and profitability, affirming that sustainability can be a competitive asset.

The Chemicals sector has a strong positive correlation between sustainability performance and financial returns. Firms that invested in emissions reduction, energy optimisation, and water efficiency also reported high profitability and investor confidence. Sustainability leaders in the Oil

and Gas sector maintained high revenue growth and stable financial returns, validating that proactive environmental strategies can align with long-term value creation even in resource-intensive industries.

The Metals sector showed divergent trends with some companies successfully balancing sustainability and financial health, while others struggled to convert environmental investments into profitability. FMCG sector displayed mixed outcomes. While financial performance remained consistently high, many firms achieved it with only moderate sustainability improvements. This suggests weaker alignment between CESP and SFP in low-impact consumer sectors.

The Healthcare sector reflected moderate environmental performance with relatively steady financial outcomes. The sustainability-performance link was less pronounced, hinting at lower importance of these CESP measures on their business. The Auto sector demonstrated the potential of sustainability to drive market valuation. Companies with strong emissions and energy reduction efforts also reported better financial health, though revenue growth varied. The

The Cement sector faced structural environmental challenges due to carbon-intensive operations. Sustainability efforts remained weak, and financial returns moderate. This sector requires significant policy and operational shifts to integrate sustainability with performance.

Cross-sectorial findings highlight that sustainability performance is a strategic differentiator, especially in high-impact sectors. Strong CESP aligns with higher profitability, better investor perception, and long-term business resilience.

The study confirms that sustainability and profitability are not mutually exclusive. Particularly in high-impact sectors, environmental improvements are aligned with stronger financial outcomes. While some sectors still exhibit weaker correlations, the trend suggests increasing convergence.

The findings reinforce that companies embracing environmental sustainability as a strategic priority are more likely to experience long-term financial resilience and stakeholder trust. Sectorial dynamics, regulatory environments, and operational scale all influence the degree of alignment between CESP and SFP.

The thesis makes a case for integrating sustainability into business strategy, not merely as a compliance exercise but as a driver of competitiveness, value creation, and risk mitigation. It contributes recent evidence from the Indian corporate context, aligned with SDGs, and offers insights relevant to business leaders, policymakers, and researchers focused on sustainable development and financial stewardship.